

WATER/ICRJ/FLC/KKL/MXK/RHG

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
AUDIT AND COMPLIANCE BRANCH**

**RESOLUTION W-4475
June 9, 2004**

R E S O L U T I O N

RESOLUTION W-4475. BIG BASIN WATER COMPANY (BBWC). ORDER AUTHORIZING AN INTERIM GENERAL RATE INCREASE SUBJECT TO REFUND, PRODUCING ADDITIONAL GROSS ANNUAL REVENUE OF \$30,000 (12.75%).

By Draft Advice Letter Filed on May 13, 2003.

SUMMARY

This Resolution grants BBWC, a Class C water utility, an interim increase in gross annual revenue of \$30,000, subject to refund. The increase will provide BBWC with no rate of return on its rate base, but with sufficient monies to pay its current cash operating expenses.

By Draft Advice Letter (AL) filed May 13, 2003, BBWC requests authority under Section VI of General Order (G.O.) No. 96-A and Section 454 of the Public Utilities (P.U.) Code to increase rates by \$165,908 or 70.6% in the year 2003, in order to recover increased operating expenses and to make a return on its rate base of 12.86%.

A Notice of the proposed increase in water rates was mailed to each customer on June 19, 2003. Five protest letters were received. Subsequently, a town hall meeting was conducted on July 8, 2003 at the Boulder Creek Country Club in Boulder Creek, California.

BACKGROUND

BBWC provides water service to 567 metered and 8 flat rate connections in an area located along the highway between Boulder Creek and Big Basin in Santa Cruz County.

The present rates were established by Resolution (Res.) No. W-4078 dated November 19, 1997 that authorized an increase in gross annual revenues of \$41,219 or 24.27% for test year 1997¹. This increase provided an operating ratio of 20% over expenses in 1997.

NOTICE AND PROTESTS

BBWC notified its customers of the proposed increase in water rates requested under the Draft AL by letter dated June 19, 2003. Five protests have been received. A public meeting was held on July 8, 2003, at the Boulder Creek Country Club in Boulder Creek to discuss the permanent rate increase. To-date, there are no final results on the permanent rates. The customer concerns and the result of the public meeting will be addressed accordingly when permanent rates are set and authorized.

DISCUSSION

Sometime in February of 2003, a review of BBWC's Safe Drinking Water Bond Act (SDWBA) loan Trust Account disclosed that the account balance had been decreasing to a level less than the equivalent of two SDWBA loan installment payments required by Paragraph 3(a) of the Fiscal Services Agreement ordered by Ordering Paragraph 8 of Decision (D.) 87-10-074 dated October 28, 1987. At that time, a staff auditor was assigned to conduct an audit of the SDWBA Trust Account.

On June 12, 2003, the Water Division sent a data request to BBWC for supporting documentation to its SDWBA Trust Account and the present request for rate increase.

On June 19, 2003, a Notice of the proposed increase in water rates pertinent to the rate increase requested in the Draft AL was mailed to each customer.

On July 7 and 8, 2003, the Water Division staff made a field inspection of BBWC's water system and held a public participation meeting at the Boulder Creek Country Club.

On July 24, 2003, the Water Division staff sent another data request to BBWC to further verify its response to the June 12, 2003 data request and to address some comments made by the customers in the public meeting. Among other things, BBWC were asked to response to questions addressing the SDWBA trust account, the remittance of surcharge rates collected, and withdrawals from the trust account.

On August 15, 2003, BBWC responded to the July 24, 2003 data request.

¹ Includes the interim rate increase, subject to refund, of \$33,966 or 20%.

On September 8, 2003, BBWC responded to Water Division staff telephone inquiry of September 2, 2003 regarding capital additions to rate base.

On December 15, 2003, another data request was sent to BBWC pertaining to the submission of the SDWBA Fiscal Service Agreement and plant costs.

On January 6, 2004, BBWC agreed to change the language of the Fiscal Service Agreement provided earlier to the Water Division, to satisfy the SDWBA requirements. As of May 1, 2004, the revised document has not been submitted.

As part of the Risk Order Instituting Investigation (Risk OII, I.90-11-033), the Commission, in D.92-03-093, adopted new policies in response to the growing economic crisis that threatened the small (Class C and Class D) investor-owned water utility's ability to deliver clean, safe drinking water. Through D.92-03-093, the Commission determined that traditional ratemaking policies that were satisfactory for large water utilities were only sporadically successful in coping with the problems of the smaller Class C and Class D water utilities. Some of the policies adopted included simplified rate filings based on the Consumer Price Index, a new method to recover unanticipated repair costs deemed critical to continued service, an increased range of rate of return, and a number of streamlined procedures to simplify and speed regulatory review in order to encourage small water utilities to seek Commission review of their operations as part of more substantial adjustments in rates.

The Commission's on-going concern regarding the processing time for small water utility's transactions resulted in the creation of a Service Guarantee Plan for Small Water Companies (Plan). The Plan provides an almost immediate simple interim rate increase (based on a cash flow analysis), usually within 45 days of filing.

This Resolution implements this mechanism for BBWC. However, due to the late receipt of supplemental information, incomplete data, a few unanswered questions on the SDWBA Trust Account, and the unresolved changes in the SDWBA Fiscal Service Agreement, the proposed interim increase, subject to refund, took much longer than 45 days to process.

In order to provide BBWC with sufficient monies to pay its current operating expenses, Audit and Compliance Branch prepared a cash flow analysis and estimated that the amount of \$30,000, or an additional 12.75% in revenues, would be necessary for the utility to meet its cash flow requirements. Because of the negative cash flow problem and due to time constraint, some unresolved matters would be addressed in the staff report and the general rate case resolution.

Pursuant to its 2002 Annual Report, BBWC reported that it generated total operating revenues of \$235,330, with a net loss of \$37,763.

The Water Division recommends the proposed interim rates shown below be granted to BBWC, subject to refund, pending the final results of the staff investigation needed to set permanent rates. The proposed interim rates are as follows:

		Per Meter Per Month	
		<u>Present</u>	<u>Interim Proposed</u>
General Metered Service:			
Quantity Rates:		\$ 2.10	\$ 2.37
Service Charge:			
For 5/8 x 3/4-inch meter	.....	\$11.20	\$13.12
For 3/4-inch meter	.....	15.00	17.56
For 1-inch meter	.....	22.40	26.23
For 1 1/2-inch meter	.....	39.70	46.48
For 2-inch meter	.....	59.45	69.61
For 3-inch meter	.....	113.30	132.66
		Per Service Connection	
		Per Year	
		<u>Present</u>	<u>Interim Proposed</u>
Residential Flat Rate Service:			
All existing flat rate connections where			
Meters have not been located		\$ 30.00	\$ 33.83

The monthly bill for a 5/8 x 3/4-inch metered customer using 12 Ccf will increase from \$36.40 to \$41.56 or 14.18%. The yearly bill for a flat-rate customer will increase from \$30.00 to \$33.83 or 12.77%.

This resolution grants an interim rate increase subject to refund, pending determination of permanent rates. On June 19, 2003, BBWC notified its customers of its general rate case filing and the estimated rate increases. Accordingly, pursuant to PU Code 311(g)(2) the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS

1. The interim rates recommended by the Water Division (Appendix A and Appendix B) are reasonable and should be adopted.
2. The rate increase authorized herein should be subject to refund pending the completion of the staff investigation of BBWC's general rate increase request.

THEREFORE, IT IS ORDERED THAT:

1. Big Basin Water Company is authorized to file an advice letter adopting the revised Schedule No. 1, General Metered Service and Schedule No. 2, Residential Flat Rate Service attached to this Resolution as Appendix A and Appendix B, respectively, and to concurrently cancel its presently effective rate schedules. Its filing shall comply with General Order 96-A. The effective date of the revised schedules shall not be earlier than five days after the date of its filing.
2. The rate increases authorized herein is subject to refund pending final resolution of Big Basin Water Company's general rate increase request.
3. The Advice Letter and tariff sheets shall be marked to show that they were authorized by Resolution W-4475.
4. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on June 9, 2004; the following Commissioners voting favorably thereon:

WILLIAM AHERN
Executive Director

MICHAEL R. PEEVEY
President

CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY

Resolution No. W-4475

June 9, 2004

Big Basin Water Company/DRAFT AL/ICRJ/FLC/KKL/MXK/RHG

Commissioners

APPENDIX A**Schedule No. 1****GENERAL METERED SERVICE****APPLICABILITY**

Applicable to all metered water service.

TERRITORY

Big Basin and vicinity, Santa Cruz County.

RATES

Quantity Rates:	<u>Per Month</u>	
All, Water, per 100 cu. ft.	\$ 2.37	(I)
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 13.12	(I)
For 3/4-inch meter	\$ 17.56	|
For 1-inch meter	\$ 26.23	|
For 1 1/2-inch meter	\$ 46.48	|
For 2-inch meter	\$ 69.61	|
For 3-inch meter	132.66	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity rate.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

APPENDIX B**Schedule No. 2****RESIDENTIAL FLAT RATE SERVICE****APPLICABILITY**

Applicable only to flat rate residential water service furnished as of May 1, 1985.

TERRITORY

Big Basin and vicinity, Santa Cruz County.

RATES

Per Service Connection
Per Year

All existing flat rate connections where meters have not been located	\$ 33.83	(I)
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SPECIAL CONDITIONS

1. The above flat rate applies to service connection not larger than one inch in diameter.
2. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day.
3. All bills are subject to the reimbursement fee set forth in Schedule UF.